

For more Information:
Efrat Zakai, Director of Research:
IVC Research Center
972 -3-640-2337
972-54-3155519
Efrat@ivc-online.com



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Summary of Israeli High-Tech Company Capital Raising Q2 / H1 2007

**IVC REPORTS: CAPITAL RAISED BY ISRAELI HIGH-TECH
COMPANIES IN H1/07 REACHES \$842 MILLION – UP 10% FROM H1/06**

12% of capital invested is directed to Seed companies

Tel Aviv, Israel, July 16, 2007. The following are the findings of the Quarterly Survey conducted by the **IVC Research Center**, which for more than eight years has been at the forefront of venture capital and private equity research in Israel. This Survey, conducted with the cooperation of the Israel Venture Association (IVA), reviews capital raised by private Israeli high-tech companies from Israeli venture capital funds and from other investors. The Survey is based on reports from 80 venture investors of which 50 are Israeli management companies and 30 are other – mostly foreign – investment entities.

In the second quarter of 2007, 118 Israeli high-tech companies raised \$436 million from venture investors – both local and foreign (Chart 1). The amount was up 7 percent from \$406 million raised by 121 companies in the previous quarter, and 8 percent ahead of the \$404 million raised by 109 companies in the second quarter of 2006. In the first half of 2007, capital raised was \$842 million, up 10 percent from H1 2006 levels.

The average high-tech financing round was \$3.7 million, up 9 percent from both the previous quarter and the second quarter of 2006. Eighty-one companies attracted more than \$1 million. Of these, 15 companies raised \$5 million to \$10 million each, and 12 companies raised more than \$10 million each.

Israeli VC Investment Activity

In the second quarter of 2007, Israeli VCs invested \$193 million in Israeli companies, an increase of 13 percent from the previous quarter (\$171 million) and 25 percent above Q2 2006 levels of \$154 million. In the first half of 2007, Israeli VCs invested \$364 million in Israeli companies, an increase of 10 percent from H1 2006 (\$331 million).

The Israeli VC share of the total amount invested in Israeli high-tech was 44 percent in the second quarter, with the remainder of capital coming from foreign investors as well as non-VC Israeli investors.

“H1 figures indicate 2007 may set a five-year record with high-tech investments reaching \$1.7 billion,” said Zeev Holtzman, Chairman of IVC Research Center and Giza Venture Capital. “Despite the global competition in technology-focused investments – mainly from Asian markets – Israeli high-tech industry continues to appeal to foreign investors and to benefit from the steady growth of worldwide markets.” Holtzman also added that “Israeli VC funds, relying on this positive

climate, are expected to raise new funds over the coming months which, in turn, will increase their investments in high-tech companies."

First investments accounted for 38 percent of total dollar investments by Israeli VCs in the second quarter, compared with 51 percent in the previous quarter and 35 percent in the second quarter of 2006. The average First investment by Israeli VCs was \$2.35 million, while the average Follow-on investment was \$1.07 million.

In H1 2007, the Israeli VC fund share of investments in Israeli high-tech companies was 43 percent as in the corresponding period in 2006. First investments by Israeli VC funds were 44 percent of their total investments, compared to 36 percent in H1 2006.

Israeli VC Investments in Foreign Companies

In the second quarter of 2007, Israeli VC investments in foreign companies were \$18 million. First half foreign investments totaled \$27 million – a 16 percent drop from the corresponding H1 2006 period. Two of the foreign investments in H1 2007 were First investments, and the remainder were Follow-ons.

Capital Raised by Stage

Nineteen **Seed** companies raised \$51 million in the second quarter of 2007, attracting 12 percent of capital raised, compared with only \$14 million or 3 percent in Q2 2006. "The positive trend we've been seeing for the past three quarters is continuing," said Efrat Zakai, Director of Research at IVC. "Investors keep designating funds to early stage investments and, for the third straight quarter, more than \$50 million was invested in seed companies."

From among Seed investments in the quarter, Communication companies attracted the largest share of capital – 41 percent – followed by the Internet with 22 percent.

In the first half of 2007, Seed companies attracted 12 percent of capital raised, compared with 8 percent in the first half of 2006 and 7 percent in the first half of 2005.

Capital Raised by Sector (Chart 2)

The Life Sciences sector led capital raising with 23 percent of capital raised followed by **Communications** with 21 percent and **Software** with 17 percent.

The **Internet** sector raised \$46 million (11 percent of capital raised), another sign of the increased attractiveness of the Internet sector that raised \$64 million in the previous quarter – a five year record. In the first half of 2007, Internet companies attracted 13 percent of the capital raised, compared to 8 percent in the first half of 2006 and 3 percent in the first half of 2005.

Chart 1: Capital Raised by Israeli High-Tech Companies (\$m)

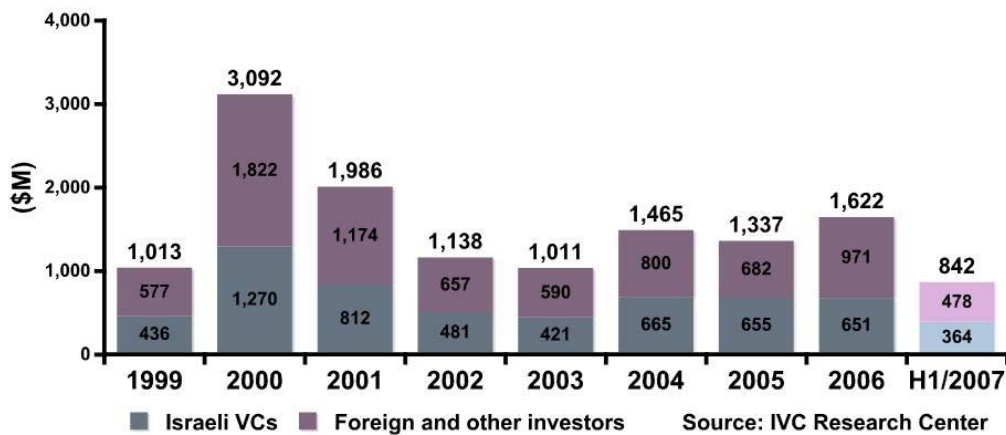
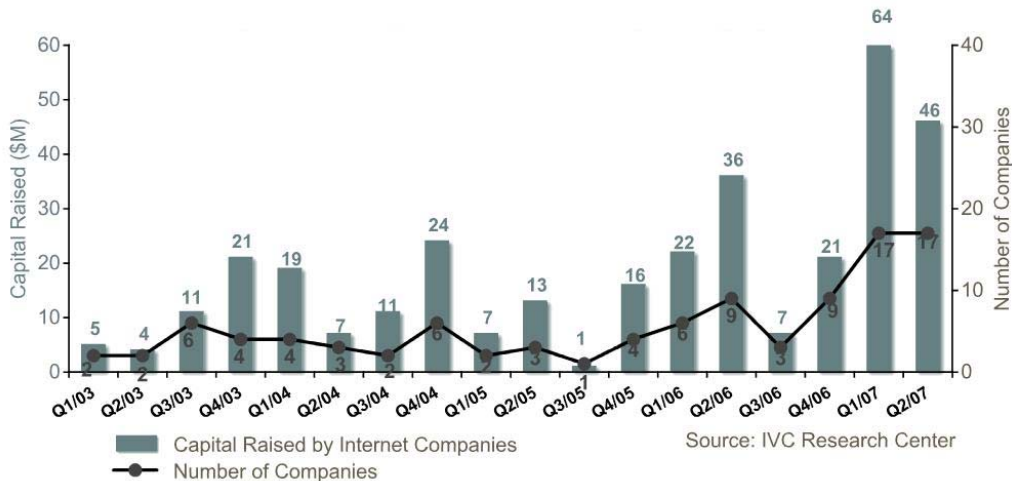


Chart 2: Capital Raised by Israeli Internet Companies



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For additional information, please visit: www.ivc-online.com or contact Efrat Zakai, +972-3-640-2337 , efrat@ivc-online.com